



Office of Research and Education Accountability

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Basic Education Program (BEP): Created in 1992, state law defines the Basic Education Program, or BEP, as “the funding formula for the calculation of kindergarten through grade twelve (K-12) education funding necessary for our schools to succeed.” It has two parts: a state share and a required local match contributed by local school districts. State and local shares are set based on each county’s fiscal capacity, or ability to raise local revenue; counties with higher fiscal capacities receive less state funding and must contribute more local matching dollars than counties with less ability to raise local revenue. The BEP is split into four main categories: Instructional Salary, Instructional Benefits, Classroom, and Non-Classroom. All total, the four categories contain 45 different components that generate funding – for example, teacher salaries or textbooks – but districts have considerable flexibility on how to spend their BEP money. For this reason, the BEP is often referred to as a funding formula, not a spending plan.

Total State and Local BEP: The state and local portions of all four categories – Instructional Salary, Instructional Benefits, Classroom, and Non-Classroom – plus any minimum funding adjustments the district may receive. This total is divided into two parts, a state share and a local share, through an “equalization” process that considers each county’s ability to raise local revenue, or fiscal capacity.

State Share: The district’s total state funding after fiscal capacity equalizations determine the state/local split. This figure is the sum of the state share of all four categories, plus any minimum funding adjustments the district may receive. For districts with charter schools, the state share of charter capital outlay is included in this figure – this is distributed directly to charter schools and is not included in other state BEP funds distributed to local districts. See also State Charter Capital Outlay.

Required Local Match: State law requires that “every local government shall appropriate funds sufficient to fund the local share of the BEP.” This figure is the district’s required local match, as determined by fiscal capacity equalizations, for all four categories: Instructional Salary, Instructional Benefits, Classroom, and Non-Classroom.

Budgeted Local Match: In practice, nearly all local governments appropriate more local money than the required local BEP match. This figure includes a district’s required local BEP match, plus any additional “above and beyond” local funding the district has budgeted.

State Charter Capital Outlay: As outlined in state law, the state does not pass the BEP funds charter schools generate for capital outlay to school districts, but distributes these funds directly to charter schools. In the Department of Education’s payments to school districts, this state share of capital funding is withheld from the district’s total state share. Districts are required to distribute the local share of the capital outlay component directly to charter schools.

State Per-Pupil Funding: This figure is calculated by dividing a district’s total state BEP share by its Average Daily Membership (ADM, or student enrollment). Per-pupil funding varies from district to district based on each county’s fiscal capacity, or calculated ability to raise local revenue. Districts in counties with higher fiscal capacities, or greater ability to generate local revenue, generally receive less state funding per student than districts in counties with less ability to raise local dollars.

Instructional Salary: The largest BEP category at over \$3 billion in state and local dollars for fiscal year 2017-18, the Instructional Salary category generates salaries for classroom teachers and other staff with teaching licenses (such as librarians and principals). Districts must spend money generated in the Instructional Salary category on teacher salaries, although districts with an average teacher salary higher than the state average may also spend this money on teacher benefits.

Instructional Benefits: Created by 2016 legislation, the Instructional Benefits category covers retirement contributions and insurance premiums for the same positions in the Instructional Salary category. Districts may put money generated in the Instructional Benefits category toward either teacher salaries or benefits.

Classroom: The Classroom category contains materials used in the classroom – textbooks, classroom supplies, and technology, for example. Districts must spend Classroom category funding on Instructional or Classroom items.

Non-Classroom: The final BEP category is the second largest and covers some remaining and miscellaneous school expenses, such as school buses, maintenance and operations, and capital outlay. Funding generated in the Non-Classroom category may be spent in any of the BEP's four categories.

Minimum Funding: Every district has a minimum level of funding. As set in state law, a district cannot receive less funding than it received in fiscal year 2015-16, adjusted downward for declining student enrollment, plus the additional state funding in the Instructional categories that results from increased salary unit costs, increases in corresponding retirement contributions, and increased insurance premiums. A district that does not generate enough funding through the BEP to meet its minimum level of funding triggers an adjustment; this adjustment "makes up the difference" so that the district ultimately receives its minimum level of state funding.